

COMPT 87-743

28 MAY 1987

MEMORANDUM FOR THE RECORD:

FROM:

Deputy Director of Personnel for
Policy, Analysis and Evaluation

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SUBJECT: Meeting with Deputy Director, Office of Personnel Management

1. On 26 May 1987, the Director of Personnel and the undersigned went to the Office of Personnel Management (OPM) to meet with Dr. James Colvard, Deputy Director, OPM to again brief him on the Human Resource Modernization and Compensation Project. The main points of the briefing are outlined in Attachment A. The chart (Attachment B) was left with Dr Colvard.

2. Set forth below are the main points which Dr. Colvard made in response to our briefing.

a. Dr. Colvard agreed with our intention to delegate classification authority, stated that that was consonant with China Lake and something he thought made sense. He noted that the classification system needed to be kept simple or the delegation wouldn't work.

b. Dr. Colvard supported our interest in banding and agreed with the findings of our occupational panels that occupations did not neatly fit into GS grades. He noted that this led to a lot of "fiction" writing in the position description-job classification process. He suggested there was something wrong with a system which you had to manipulate in order to have it work correctly. He noted that a position description might be written as a GS-14 simply because it was necessary to pay a GS-14 salary in order to compete with the market. The answer was to fix the system not fool around with position descriptions.

c. Dr. Colvard agreed that elimination of average grade and ceiling controls were important. In fact, he strongly urged that we get rid of ceiling controls which he felt were disincentives to good management. He suggested that budget controls were the best way to give managers the flexibility they needed and would encourage them to both get the right mix of people and reward those who produced.

d. Dr. Colvard supported performance based pay systems, in part, because they sent the right signal. He said, "salary was as much pay for potential as pay for performance, while bonuses were strictly for performance." Thus, without having to fire anyone or even give a less

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than satisfactory rating, it was possible, under pay for performance systems, to differentiate performance and give more to those were better. Under pay for performance, the less good people tended to leave in greater numbers, while the better people tended to stay in greater numbers.

e. We indicated that our proposed Expert-Manager Incentive Pay Plan would be more favorable than our regular pay for performance proposal and also would differ from the OPM's merit pay for GS-13-15 managers, the Performance Management and Recognition System (PMRS). Frankly we would include many of the advantages of PMRS, but not include what we regarded as the disadvantages. Dr. Colvard said, "PMRS was not the only possible system and saw no problem with our trying to improve it."

We suggested that we wanted to expand the SIS bonus pool. We noted that executive compensation systems were designed to encourage good performance by putting some salary at risk, but that it was expected that 80-90% of the executives in the bonus pool would get a bonus.

Dr. Colvard stated that there was no need to stay with a 5-10-15-20% distribution under the SES system. The law only mandated three things. First, the minimum bonus had to be 5%; the maximum 20%. Second, between 15 and 60% of the SES population could receive a bonus. He noted that in the early years Congress limited the bonuses to 20% of the population but, this was no longer the case, and OPM encouraged agencies to give more SES officers a bonus. (Last year 39% of our SIS officers received an award). Third, the dollar bonus pool was limited to 3% of the SES payroll.

We suggested that we wanted to give up to 80% of our SIS officers a bonus and also add about one million dollars to the 3% limit. Dr. Colvard said, "he wasn't concerned if we gave a bonus to 100% of the people, if performance was up to standard, and thus used the size rather than the fact of the bonus to differentiate performance." He suggested it might be better for all to be able to say that they had received a bonus even if one had received \$50, a second \$2,000 and a third \$20,000. He stated, however, that there needed to be a clear dollar constant, or percent of budget, around which the bonus pool was built. Once the percent of budget had been agreed upon, the mechanism by which it were distributed could be evolved.

g. Dr. Colvard voiced no concern about our interest in exploring a flexible benefits program, increasing annual leave carryover for those in the GS-13-15 grades, the group which most regularly lost leave. He

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also thought that allowing leave to be converted to cash or to flexible spending accounts was worth exploring but suggested that a system in which no leave was taken would not be healthy. We agreed and suggested that certain controls would be included to ensure that a reasonable amount of leave were taken.

h. We said we would propose that SIS leave balances beyond a certain amount (i.e., 500 hours) be converted to cash each year. This would limit the buildup of a large unfunded liability, allow the government to pay off the leave at today's salary rates and give the employee money to invest today rather than having to wait until leaving the government. Mr. Price stated that the buildup a large leave balances might lead to their being capped at some point and Dr. Colvard agreed. Dr. Colvard expressed interest in our SIS leave proposal, noting that the idea had been raised with respect to the SES and that it would be helpful in the case of SES officers like himself who became political appointees. He further noted, in the context of a group which he had formed to review how the SES might be improved, that Constance Horner (D/OPM) had stated that no changes should be made which were "punative" (disadvantageous) to SES members.

i. Dr. Colvard was supportive of our career development proposals, the occupational handbooks, employee career plans and supervisory review of such plans in the context of Agency skills needs projections. He noted that it was important to get employees to be more responsible for planning their own careers, but for that to happen we had to give the employee a road map -- an experiential map of how to get from here to there.

j. We mentioned our interest in exploring early-out retirement for executives and for hard-to-retain technical people who now did not contemplate a career with government. Dr. Colvard was positive about this idea but thought that it should be a two way street. The early retirement option should not only be at the desire of the employee, it should be at the desire of management so that staying beyond minimum retirement eligibility was a sign that management expressly wanted to retain the employee.

3. Dr. Colvard commented on our proposal that the Agency do its own biannual salary review and, as appropriate, adjust the schedule and realign various occupations. He noted that he did not believe current statistics that the government was some 23% behind the private sector. What really was the case was that certain occupations were 23% behind, some were better off than the private sector and some were far more than 23% behind. What was necessary was to derive some meaningful indicator, i.e., the average or median salaries

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in different occupations, persuade Congress to do a one-time adjustment to base and then watch, not the cost of living changes, but industry wage increases. This would be in place of what is now known as comparability. We indicated that this was at the heart of our proposal.

4. Having reviewed with Dr. Colvard the main elements of our proposed new system, we inquired whether our approach was flawed or would cause him problems from an overall government civil service standpoint. He replied that we were breaking new ground and this was useful to OPM. We promised to continue our periodic meetings to keep him apprised of our progress and he stated that he found these meetings very worthwhile.

5. On another topic I mentioned that for some time we had been seeking to make it easier for CIA employees to transfer to other government agencies when they left CIA, but that while there had been agreement in principle to give credit to CIA employees so they were not considered new applicants, we had never been able to come to a resolution of the issue. Dr. Colvard suggested that we deal with the OPM General Counsel on this issue.

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Attachments:
As Stated

PUT ADDITIONAL FLEXIBILITY INTO OUR SYSTEM AND GIVE MORE FLEXIBILITY TO OUR MANAGERS

I. SEE BANDING AS A WAY OF DIVIDING OCCUPATIONS INTO MORE MEANINGFUL LEVELS - WHICH WILL ALLOW US TO:

- ° MORE PRECISELY TAILOR PATTERNS OF CAREER DEVELOPMENT TO THE PECULIARITIES OF EACH PROFESSION/SKILL AREA.
- ° SCALE OUR PAY STRUCTURE MORE CLOSELY TO MARKET CONDITIONS IN ORDER TO MAKE THE AGENCY RELATIVELY MORE COMPETITIVE WITH THE PRIVATE SECTOR.
- ° CLARIFY CAREER OPPORTUNITIES IN OTHER DIRECTIONS THAN STRAIGHT UP OR INTO MANAGEMENT BY INCREASING LATERAL OPPORTUNITIES AS WELL AS AN IMPROVED EXPERT TRACK.
- ° GIVE TEETH TO CAREER DEVELOPMENT BY SEPARATING PAY FROM RANK.

A. WHAT THIS MEANS FROM A CLASSIFICATION STANDPOINT IS:

- ° A FURTHER MODIFICATION OF THE FACTOR EVALUATION SYSTEM USING AGENCY UNIQUE FACTORS.
- ° DELEGATION OF CLASSIFICATION AUTHORITY TO THE DEPUTY DIRECTORS.

B. WHAT THIS MEANS FROM A SYSTEM STANDPOINT IS:

- ELIMINATION OF AVERAGE GRADE CONSTRAINT AND RELIANCE ONLY ON BUDGET OR BUDGET AND CEILING CONTROLS.
- BETTER HR PLANNING TOOLS TO EVALUATE THE CURRENT SKILL MIX AGAINST PROJECTED NEEDS.
- AMELIORATION OF THE DIVISION OF OCCUPATIONS INTO CLERICAL, TECHNICAL AND OFFICER CATEGORIES WITH CAREER LADDERS WHICH BETTER ACCOMMODATE THE AGENCY'S NEEDS FOR BROADER LATERAL MOBILITY.

C. WHAT THIS MEANS FROM A CAREER DEVELOPMENT STANDPOINT IS:

- OCCUPATION SPECIFIC CAREER HANDBOOKS WHICH:
 - DESCRIBE THE SKILLS, EXPERIENCES, AND TRAINING APPROPRIATE FOR EACH LEVEL.
 - ASSIGNMENTS, INCLUDING ROTATIONAL ASSIGNMENTS, WHICH PROVIDE FOR THE SKILLS AND EXPERIENCES IDENTIFIED FOR EACH LEVEL.
- INDIVIDUAL CAREER DEVELOPMENT PLAN:
 - THE INDIVIDUAL EMPLOYEE WOULD BE RESPONSIBLE FOR PREPARING INDIVIDUAL CAREER DEVELOPMENT PLANS AGAINST THE BACKDROP OF:
 - THE OCCUPATIONAL HANDBOOKS
 - A CLEARER APPRECIATION OF AGENCY SKILLS AND THE RELATIVE OPPORTUNITIES IN VARIOUS OCCUPATIONAL SPECIALITIES.
 - THE EMPLOYEE WOULD BE ABLE TO REVIEW THESE PLANS WITH SUPERVISORS TO DETERMINE IF THEY WERE REALISTIC AND IN ACCORDANCE WITH AGENCY NEEDS AND BE ABLE TO REVIEW PROGRESS AGAINST THESE PLANS.

II. A MORE FLEXIBLE PAY STRUCTURE

A. WHILE CAN BAND AND STILL LINK TO GS IN WHOLE OF IN PART, CAN ALSO DELINK AND DEVELOP OUR OWN SALARY STRUCTURE BASED IN PART ON MARKET COMPARISONS AND IN PART ON INTERNAL VALUES.

B. IF OWN STRUCTURE - WOULD BE:

BIANNUAL REVIEWS OF THAT STRUCTURE,
SENIOR MANAGEMENT DECISIONS ABOUT SALARY STRUCTURE REVIEWS;
AND ABOUT REALIGNMENT OF OCCUPATIONS - SO INSTEAD OF ADJUSTING THE STRUCTURE ACROSS THE BOARD AS IN THE GS, WE COULD ALIGN OR FLOAT OCCUPATIONS AS APPROPRIATE.

C. PAY ADMINISTRATION ALSO COULD BE MORE FLEXIBLE.

- INSTEAD OF SALARY ADJUSTMENTS FIRST EVERY YEAR, THEN EVERY TWO AND THREE YEARS, WE COULD HAVE ANNUAL SALARY ADJUSTMENTS.
- INSTEAD OF MOVEMENT ALONG THE SALARY RANGE PRIMARILY BY PERMANENT INCREASE, WE COULD HAVE A COMBINATION OF PERMANENT SALARY INCREASES AND BONUSES.
- USE OF A SALARY DISTRIBUTION GRID WITH PERMANENT INCREASES AND BONUSES DIFFERING BY WHERE IN THE SALARY RANGE THE EMPLOYEE IS (QUARTILE)

- MEIPP WITH A BETTER PAY FOR PERFORMANCE PAYOUT FOR EXPERTS AND MANAGERS.
- TEAM AND PROJECT BONUSES.
- SIS AWARDS GOING TO A LARGER NUMBER OF OFFICERS (80 VS 39%)

III. MORE FLEXIBILITY IN BENEFITS--FROM THE TAKE IT OR LEAVE IT BENEFIT PACKAGE TO A CAFETERIA-STYLE PLAN WHICH GIVES MORE CHOICE AND DISCRETION TO EMPLOYEE WHILE ATTEMPTING TO INCREASE THE IMPACT OF THE EMPLOYEE CONTRIBUTION THROUGH THE USE OF PRE-TAX DOLLARS, CORE PLUS, MIX AND MATCH, AND MODULAR PLANS.

- AVOID PENALIZING THOSE WHO LOSE ANNUAL LEAVE BY ALLOWING AN INCREASE IN THE ANNUAL CARRYOVER LIMIT FOR THOSE IN THE MEIPP BY UP TO 120 HOURS.
- ALLOW THOSE WHO LOSE ANNUAL LEAVE TO CONVERT LEAVE:
 - TO CASH,
 - FLEXIBLE SPENDING ACCOUNTS,
 - CONVERSION TO SICK LEAVE
 - OR TO A SICK LEAVE BANK.
- ALLOW SIS LEAVE BALANCES ABOVE A SET AMOUNT TO BE CASHED IN EACH YEAR.
- DEVELOP RECRUITMENT AND RETENTION BONUSES FOR SELECTED OCCUPATIONS AND EMPLOYEES.
- DEVELOP AN EDUCATIONAL LOAN GUARANTEE PROGRAM.
- EXPLORE EARLY RETIREMENT FOR MANAGERS (THROUGHPUT) AND FOR EXPERTS (RETAIN THOSE WHO NOW ARE NOT LIKELY TO REMAIN WITH THE AGENCY ON A CAREER BASIS).

ATTACHMENT

Form 163a
8-66

REFERENCE

| Vantage Point | Improvement in Performance Attract and Retain Employees | Relevant System Features | | | | | | | | | | | | |
|-----------------|--|--------------------------------|---------------|----------------------|----------------|-------------|------------|---------------------|------------------------|------------|---------------------|-----------------|----------------|-------------------------------|
| | | Pay & Classification Structure | | Non-Pay Compensation | | Performance | | Career Developments | | Training | | Data Processing | | |
| | | Occupationally defined bands | Incentive Pay | Flexible Benefits | Other Benefits | Plan | Evaluation | Promotion | Occupational Handbooks | Dual Track | Occupation Specific | Accessibility | Planning Tools | Automated File Vacation |
| Employee | Benefits better adapted to needs and better utilizing the tax law | | | X | X | | | | | | | | | |
| | Improved communication with supervisor | | | | | X | X | X | | | | | | |
| | Better than average pay for better than average performance | | X | | | | | | | | | | | |
| | Better articulated career development guidance | | | | | | | | X | | | | | |
| | Expanded opportunity to advance as an expert | X | | | | | | | | X | | | | |
| | More relevant and available training | | | | | | | | X | | X | X | | |
| Line Manager | More efficiently identify opportunities within CIA | | | | | | | | | | | | | X |
| | Better recognize performance of employees with pay | | X | | | | | | | | | | | |
| | Dynamically adjust position structure within budget constraints at component level | X | | | | | | | | | | | | |
| | Mechanism to retain experts | X | X | | | | | | | X | | | | |
| | Better assist employee to develop their careers | | | | | | | X | X | | X | X | | |
| Senior Managers | More effectively locate viable candidates within CIA | | | | | | | | | | | | | X |
| | Adjust occupational pay by CIA market pricing (within cap) | X | | | | | | | | | | | | |
| | Offer more competitive total compensation package | | X | X | | | | | | | | | | |
| | Set pay by CIA classification standards/priorities | X | | | | | | | | | | | | |
| | Better project market/talent pool for which CIA competes | | | | | | | | | | | | X | |
| | Better project/plan for demographic trends within CIA | | | | | | | | | | | | X | X |
| | Tools to deal with changing demographics | | | X | X | | | | | | | | | |